Each House Key Program Mortgage Loan must satisfy the following terms and conditions:

**LOAN TYPES**

Fixed rate FHA 203(b), 234 (c), HUD 184, VA, USDA Rural Development, and Conventional loans listed below may be originated under the Program.

<table>
<thead>
<tr>
<th>Fannie Mae Products</th>
<th>Special Feature Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>HFA Preferred</td>
<td>741</td>
</tr>
<tr>
<td>HomeChoice</td>
<td>222</td>
</tr>
<tr>
<td>Community Land Trust</td>
<td>054</td>
</tr>
<tr>
<td>Community Seconds</td>
<td>118</td>
</tr>
</tbody>
</table>

**LOAN UNDERWRITING**

All Conventional automated loan approvals must be run through DU. Fannie Mae DU Approve/Eligible underwriting findings with no manual downgrades are acceptable under the Program. Expanded Approvals (EAI, EAIII, EAIII, etc.) are not eligible under the Program. For FHA and VA, DU & LP using FHA’s Total Scorecard are acceptable under the Program. For USDA Rural Development loans, GUS approvals are acceptable.

Approve/Ineligible findings are permitted for a repair escrow when the cause of the “Ineligible” is due to the escrow holdback. Manual downgrades for any other reason are not acceptable under the Program.

Manual underwriting is not permitted under the Program with the exception of Community Land Trust conventional loans.

**LOAN TERM**

30 years/360 months, with amortizing payments.

**NEW FINANCING**

House Key Loans must be new loans. Payment or refinancing of other than the initial acquisition cost of the property and related closing costs as part of the Mortgage Loan or within the Mortgage Loan transaction is prohibited. Payoffs required by the underwriter must take place either outside of escrow or be clearly identified in the closing statement as coming from funds provided by the Borrower for that specific purpose.
TOTAL DEBT TO INCOME RATIO RESTRICTION

In general, the total debt to income ratio cannot exceed 45.00% (no exceptions).

CREDIT SCORE

The primary wage earning, occupying borrower must have a middle credit score of at least 620 to be eligible for the program. In the case the primary wage earner has only two scores, the lower of the two scores must be used. In the case the primary wage earner has only one score or does not have a credit score, the borrower would not be eligible for the program. The primary wage earner is defined as the occupying borrower with the highest monthly income. There is no credit score requirement for the non-primary wage earner when the DU underwriting recommendation is Approve/Eligible.

Borrowers seeking financing for conventional Community Land Trust loans must follow Fannie Mae’s guidelines for credit score.

If manufactured housing, see section 4, page 4.1.

TAX LIENS

Any Borrower or spouse who will hold title with unpaid, unsatisfied, and/or unreleased federal or state tax liens are not permitted under the Program. Loan files with repayment plans for an established lien are also not acceptable. All liens must be satisfied and evidence to support the release included in the loan file. Unpaid state or federal taxes that have been set up on a repayment plan but have not had a lien assessed, will be treated as reoccurring debt and may be considered for inclusion into the Program provided the Borrower(s) supply evidence of the repayment plan, reflecting NO 30-day late payments on the repayment history, and the inclusion of the recurring debt does not cause their Debt-to-Income (DTI) ratio to exceed 45 percent.
**VERIFICATIONS OF INCOME**

All verifications should be less than three months (90 days) old, from the Note date, at the time of closing or current information will be required. Income documents more than 90 days old upon submission of the closed loan package could result in rejection of the loan.

**IRS FORM 4506-T**

An IRS Form 4506-T must be signed, completed, and dated at application and closing by all Borrowers. IRS transcripts for the time period covered by the required income documentation must be obtained prior to loan closing for all borrowers.

**PAYOFF OF INTERIM FINANCING**

Program loans may be used to refinance new construction interim financing with a term not exceeding two (2) years. Refinancing an existing loan utilizing Program funds is permitted only under the following conditions:

- The construction loan (interim financing) cannot exceed 24 months.
- The construction financing cannot be contingent upon the Borrower’s qualification for a Mortgage Loan, therefore, the Mortgage Lender’s construction financing rate is independent. The permanent (take-out) financing will be at the Program rate.
- The Pre-Closing Compliance Review file requires a typed 1003 (unsigned) that reflects the Program rate.

ServiSolutions will not require a re-verification of documents.

**INTEREST RATE**

The Commission announces the Mortgage Interest Rate via Program Announcements and the Commission's Web site at http:\\www.wshfc.org. The Interest Rates may vary for each issue and are subject to change.

**BUYDOWNS (TEMPORARY)**

Temporary buydowns are not permitted under the Program.

**FHA FLIPPING**

ServiSolutions follows standard FHA requirements for resale of properties owned less than 90 days (property flipping). However, 90-day waivers are not allowed under the Program.
**HOMEBUYER EDUCATION**

All Borrowers to be listed on the Note and Deed of Trust must attend a Homebuyer Education seminar that has been registered through the Commission and meets standards as set in the Homebuyer Education Section of this Program Manual.

**ALLOWABLE FEES**

Origination and Discount Fees:
The Borrower may pay the total origination and discount fee permitted by the Program and defined in the Program Announcement. The loan fee and discount points together cannot exceed the amount shown on our Program Announcement and Website except when using conventional mortgages with loan level pricing adjustments or single premium MI programs. The seller is not obligated by Program guidelines to pay any fees typically charged to the Borrower on any other loan program.

Other Allowable Fees:
The fees charged by the lender for loan processing, underwriting, document preparation, etc. may not exceed $1,500. Any fees charged exceeding this amount will need to be refunded to the appropriate party prior to purchase of the loan. Financing costs and other fees allowable by FHA, VA, USDA Rural Development, or Fannie Mae may be charged if such fees are usual and customary settlement costs.

**ServiSolutions Fees**

ServiSolutions will collect the following fees upon loan purchase:

- Tax Service Fee $65.00
- Flood Certification Transfer Fee (if applicable) $10.00
- Electronic Upload Fee $40

These fees will be netted out upon loan purchase.

**NON ALLOWABLE FEES**

The following fee is not allowable:

- amortization schedule –available for free on ServiSolution’s Website at [www.servsol.com](http://www.servsol.com). If charged, the Mortgage Lender will be required to provide evidence of a refund for the amount prior to loan purchase. Furthermore, Mortgage Lenders cannot charge additional lender fees on any down payment assistance program offered through the Commission.
MORTGAGE INSURANCE

All conventional Mortgage Loans with a loan-to-value exceeding 80% must have private mortgage insurance coverage provided a Fannie Mae approved mortgage insurer. The Commission and ServiSolutions strongly encourage Mortgage Lenders to select MI companies who offer job loss protection options.

Eligible plans include Monthly MI, Financed MI, Split Premium MI or Single Premium MI. ServiSolutions accepts standard manual, financed or monthly premiums as well as ZIP option programs.

The required percentage of MI coverage is determined by the type, term, and LTV of the loan. All loans require standard MI Coverage according to loan type.

Single premium MI programs are acceptable under the House Key Program using the Fannie Mae products listed on page 2.1. The Lender must also verify that the loan meets all of the mortgage insurance companies’ underwriting requirements prior to closing. All single premiums must be disclosed on the Closing Disclosure statement and not reflected as an increase to the rate. When using this option, the lender will pay the loan level pricing adjustment to the mortgage insurance company at closing and obtain the Mortgage Insurance Certificate for inclusion in the loan purchase file to be submitted to the Master Servicer.

TITLE INSURANCE

The title policy must follow all guidelines for the underlying FHA, VA, Fannie Mae, HUD, or USDA Rural Development mortgage.

FLOOD AND HAZARD INSURANCE POLICIES

A flood determination must be completed prior to each loan closing. Flood insurance is required on all properties in a designated flood zone. If flood insurance is required on a loan, the Mortgagor shall obtain the flood insurance. The Mortgagor’s property or portion of the property may be located in a designated flood zone; however, the improvements (physical dwelling/home) may be on an elevated site making flooding unlikely. In such cases, the Mortgagor may request a Letter of Map Amendment (LOMA). If Federal Emergency Management Agency (FEMA) issues the requested LOMA, the Mortgagor may terminate its flood insurance. All Hazard and Flood Insurance policies must follow guidelines in accordance with the underlying first mortgage underwriting guidelines.

Corelogic is an eligible flood certification provider. If the Lender obtains a flood certification from another provider, a $10 transfer fee will be required.
Hazard insurance is required sufficient to cover both the first and second (if applicable) mortgages, or the maximum insurable value of the property whichever is less. The policy must contain a guaranteed replacement cost endorsement. Binder must indicate the first loan be payable to ServiSolutions using the standard Mortgagee clause as shown below.

If an error is found, please request a correction from the Insurance Company. A copy of the request is to be attached to the policy. All corrected policies should be sent directly to WSHFCPostClosing@ahfa.com.

The Loss Payable Endorsement or Mortgagee Clause can be in the name of ServiSolutions. If it is not, a letter to the insurance company changing the endorsement is to be attached to the policy.

Use the following address for all carriers:

ServiSolutions a department of the Alabama Housing Finance Authority
ISAOA ATIMA
P.O. Box 242967
Montgomery, AL 36124-2967

You can contact ServiSolutions at 855-819-8081 or 334-244-4350 if you have any questions regarding this request.

**Deductibles:**

The hazard insurance deductible should not exceed the greater of 2.5% of the face amount of the policy or $2,500. The flood insurance deductible should not exceed $2,000.

**POWERS OF ATTORNEY**

A Specific Power of Attorney is acceptable for the Borrower or seller if duly notarized and accepted by the underwriter and title insurer. A complete legible copy of the Specific Power of Attorney must accompany the Post Closing Compliance Review Mortgage Loan file.

A General Power of Attorney is only acceptable for the sellers if duly notarized and accepted by the underwriter and title insurer. A complete legible copy of the General Power of Attorney must accompany the Post Closing Compliance Review Mortgage Loan file.

**ESCRROW HOLDBACKS/REPAIR ESCROW**

Occasional escrow holdbacks may be permitted in some instances if they meet the guidelines for the first mortgage program. Approved repairs typically include paint (interior and exterior), carpet, appliances, roofing, minor exterior repairs such as facia boards, eve, gutters and window replacements.
ServiSolutions must issue prior approval for any escrow holdback. The lender must furnish ServiSolutions with a copy of the escrow agreement and copies of work bid estimates, along with the request for approval. Please send requests to WSHFCRepairHoldbacks@ahfa.com.

In order to qualify for an escrow holdback, the following terms must be met and included in the escrow agreement:

1. Escrow holdback funds must be held and disbursed by either the originating lender or the closing agent.

2. Escrow holdback funds must be equal to 150% of the repair estimate amount. For repair escrows on HUD REO properties, the escrow holdback funds must be equal to 110% of the repair estimate amount.

3. Repairs must be completed within 10 days of closing if at all possible. ServiSolutions may approve on a case by case basis extensions in advance of loan closing if needed for extenuating circumstances. ServiSolutions must be informed of any weather related delays and will review and approve on a case by case basis.

4. No structural repairs are permitted.

5. A copy of the final inspection must be forwarded to ServiSolutions within 5 days of completion.

6. The maximum escrow holdback amount is $10,000.

**INTEREST CREDITS**

Loans closed after the 5th day of the month are not eligible for an interest credit. Interest credits must be reflected on the Closing Disclosure Statement. No cash may be given back to the Borrower other than the deposit and applicable only to a House Key first mortgage.

**RESERVE/ESCROW ACCOUNTS**

All Mortgage Loans must have a reserve/escrow account for the collection of hazard insurance, taxes, mortgage insurance premiums and/or risk-based premiums.

**PREPAYMENT PENALTY**

Mortgage Loans may be prepaid at any time without a penalty.
**ASSUMPTIONS**

All first Mortgage Loans originated under the Program may be assumed by a qualified Borrower meeting First-Time Homebuyer requirements and income and Acquisition Cost restrictions in place at the time of the assumption. Such Mortgage Loans must continue to fully comply with Section 143 of the Internal Revenue Code of 1986, as amended and continue to be insured or guaranteed by FHA, VA, or RHS. Please note that conventional fixed rate mortgages are not assumable per Fannie Mae and Freddie Mac guidelines with limited exceptions.

**SUBORDINATE FINANCING**

All subordinate financing closed in conjunction with a House Key Program Mortgage Loan must meet the underwriting guidelines of the first mortgage type. It is the Mortgage Lender’s responsibility to review the Program Description, Note and Deed of Trust for community seconds compliance. The underwriter must show the name of the community second program and verify the program is an approved community second program on the 1008 or HUD 92900-LT.

Maximum CLTV is determined by the first mortgage loan type’s underwriting guidelines and is subject to mortgage insurance availability as applicable.

**SERVICING**

All Mortgage Loans must be sold servicing released to ServiSolutions.

**QUALITY CONTROL**

The Commission and ServiSolutions from time to time at their sole discretion may request additional documentation from Mortgage Lenders. The Commission will monitor Mortgage Lenders for timely cancellation of reservations, total production levels, length of time to close and deliver eligible Mortgage Loans, participation in Homebuyer Education, level of Borrower complaints, compliance with Program Guidelines and other factors the Commission, at its sole discretion, considers necessary to evaluate effective Program participation.
**REPEAT PROGRAM USERS-BORROWERS WHO HAVE PREVIOUSLY BENEFITED FROM COMMISSION PROGRAMS:**

If the Borrower wishes to use Commission programs (Home Advantage, MCC, or House Key) and has an outstanding Home Advantage or House Key loan, the Borrower must pay off the first and second mortgage in full prior to using another Commission program loan.

If the Borrower has an outstanding MCC and wishes to use Home Advantage or House Key, the Borrower is no longer eligible for the MCC credit and must sign a notarized affidavit stating the Borrower understands that the Borrower is no longer eligible for the MCC credit and agrees to no longer claim the MCC credit.

If a Borrower’s current or prior home was financed through a Commission program loan and is/was subject to a short sale, foreclosure, bankruptcy or deed in lieu, and the Commission suffered or expects to suffer a loss, the Borrower is not eligible to obtain another Home Advantage, House Key or MCC Commission program loan until the down payment assistance obligation and any unpaid amount, regardless of whether such amount was discharged, is repaid to the Commission, and all other program requirements have been met.